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FISCAL IMPACT STATEMENT

LS 6954

BILL NUMBER: SB 281

NOTE PREPARED: Feb 16, 2004

BILL AMENDED:

SUBJECT: Tax Abatement.

FIRST AUTHOR: Sen. Ford

FIRST SPONSOR: Rep. Hasler

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill authorizes counties and municipalities to provide property tax abatements for logistical distribution equipment and information technology equipment installed after June 30, 2004.

Effective Date: July 1, 2004.

Explanation of State Expenditures:

Explanation of State Revenues: The state levies a small tax rate on property for State Fair and State Forestry. Any change in the amount granted for abatements would change the amount received from this tax.

If there is an increase in investment because of the incentive in this bill, the new property would, at some point, be placed on the tax rolls and the State Fair and State Forestry funds would receive increased revenues. If the investment would have been made with or without the abatement, then increased revenues to the State Fair and State Forestry funds would be foregone until the property is placed on the tax rolls.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, new manufacturing equipment and new research & development equipment may qualify for property tax abatements. The abatements are available for up to ten years.

This bill would allow abatements for new "logistical distribution equipment and new "information technology (IT) equipment installed after June 30, 2004, and before January 1, 2006, in an economic revitalization area.

Logistical distribution equipment would consist of racks, scanners, separators, conveyors, forklifts, moving equipment, packaging equipment, sorting and picking equipment, and software.

IT equipment would include equipment and software used in the fields of information processing, office automation, telecommunication facilities and networks, informatics, network administration, software development, and fiber optics.

If there is an increase in development because of this proposal, the new property would, at some point, be placed on the tax rolls. This could help spread the property tax burden and could possibly reduce some tax rates. However, if one assumes that the investment would be made with or without the abatement, an increase in abatements (ERAs) could also cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. In all cases, the granting of an abatement is a local decision.

State Agencies Affected:

Local Agencies Affected: County auditors.

Information Sources:

Fiscal Analyst: Bob Sigalow, 317-232-9859.